

**Docket No. R2010-4R
USPS-R2010-4R/2
First-Class Mail Worksheets**

I. PREFACE

Revisions of 10/18/13 are discussed in BOLD at the end of this document.

The overall percentage increase for First-Class Mail is **4.281** percent (including FCM International). USPS-LR-R2010-4R/2 contains the workpapers which demonstrate the percentage change in First-Class Mail prices. It consists of this summary document, and one set of Excel workpapers described in detail below. Part 2 below describes the First-Class Mail International worksheets.

II. ORGANIZATION

For purposes of calculating the percentage change in prices, First-Class Mail includes both domestic First-Class Mail and Single-Piece First-Class Mail International (FCMI). The Excel file labeled **WP-FCM-R2010-4R.xls** contains the billing determinants, R2013-10 prices, adjusted prices and revenue calculations for First-Class Mail. The percentage rate change calculations in this file include total revenue and volume from Outbound and Inbound Single-Piece First-Class Mail International (FCMI) derived from the Excel file labeled **WP-FCMI-R2010-4R.xls**. This file contains the billing determinants, current prices, adjusted prices, and revenue calculations for Outbound Single-Piece FCMI. Details of the Inbound Single-Piece FCMI price change are provided in USPS-LR-R2013-10/NP1. The remainder of this document describes the contents of the above referenced workpaper: WP-FCM-R2010-4R.xls.

III. First-Class Mail

A. Billing Determinants

The workpapers in WP-FCM-R2010-4R.xls are based upon the hybrid billing determinants used in the workpaper titled CAPCALC-FCM-R2013-10.xls in USPS-LR-R2013-10/1. After the cover page and the index there are twenty tabs. There are two tabs for the billing determinants. "Quarterly BDs" provides the First-Class Mail Billing Determinants by quarters. The next tab "Hybrid Yr. Billing Determinants" adds up the relevant quarters to get the hybrid year weights used in the preparation of this filing. "Letters by Indicia" provides Single-Piece Letters volume by indicia which is used to estimate the volume of Stamped and PVI mail. Tab "DVD Mail Adj." provides the DVD volume data for the hybrid year.

B. Revenue and Percentage Rate Change Calculations

The prices for each First-Class Mail rate cell are presented in the Renewed Exigent Request, Attachment A.

In WP-FCM-R2010-4R.xls, the hybrid billing determinants were used as the basis for the weighting to calculate the percentage rate changes for domestic First-Class Mail.

The tab titled "Cost Avoidances" contains the latest Cost Avoidance estimates for First-Class Mail and the calculated weighted average of AADC and 3-Digit Automation Letters and Cards pursuant to Order Nos. 1753 and 1793 in Docket No. RM2012-6. It presents the mail processing and delivery costs (wherever applicable) that are used in calculating workshare discounts. The following pair of WP-FCM-R2010-4R.xls tabs -- "Single-Piece" and "Presort" -- provides the volume multiplied by the current and adjusted rates for single-piece and presort price cells, respectively. Most of the volume cells are linked to the previous tabs. Revenue is calculated by multiplying the same volume by the current and adjusted rates.

The next five tabs in WP-FCM-R2010-4R.xls, provide the same information for each of the following:

- *SP [Single-Piece] Letters and Cards;*
- *Presort Letters & Cards;*
- *First-Class Flats;*
- *First-Class Parcels;*
- *DVD Mail.*

These tabs provide the Before and After Rates postage using the same volume and calculate the percent increase for each product.

The next tab, 'FCM International' provides the before and after revenues for all the Outbound and Inbound categories as discussed above.

The next tab, 'Percent Change Summary' provides percent changes for the products within First-Class Mail and FCM International.

The next three tabs titled:

- *First-Class Single-Piece*
- *First-Class Discount Letter*
- *First-Class Discount Flats*

provide the current and new prices for each price cell, and the resulting percent change for each price cell.

The last three tabs in WP-FCM-R2010-4R.xls are:

- *Passthru FCM SP Letters, Cards*
- *Passthru FCM Bulk Ltrs, Cards*
- *Passthru FCM Auto Flats*

The discounts in these tabs are calculated on the basis of the adjusted Docket No. R2010-4R prices. The cost avoidances generally match the estimates used in ACD 2012 in the relevant First-Class Mail section.

Passthroughs that are above 100 percent are discussed in Mr. Taufique's Statement in Docket No. R2010-4R, in the section Workshare Discounts.

Part 2

FIRST-CLASS MAIL INTERNATIONAL PRICE CHANGES

I. PREFACE

The overall percentage increase for First-Class Mail International (FCMI) is 2.391 percent. USPS R2010-4R/2 contains the workpapers that demonstrate the derivation of this percentage change through the combined price adjustments for Outbound Single-Piece FCMI and Inbound Single-Piece FCMI. USPS R2010-4R/2 includes this summary document and an Excel file described in detail below.

II. ORGANIZATION

The workpapers used to calculate the percentage change in international prices is WP-FCMI-R2010-4R.xls, which determines the price change for Outbound Single-Piece FCMI based on the hybrid year (Q4 FY 2012- Q3 FY 2013) billing determinants, R2013-10 prices, adjusted prices, and total revenue calculations. Since the R2013-10 calculated revenue from Inbound CAPCALC-FCMI-R2013-10/NP1.xls is used in both summary columns of the FCMI TOTAL PRICE INCREASE tab, there is no price change for Inbound Single-Piece FCMI based on FY 2012 inbound volume and CY 2014 terminal dues rates.

The sections below describe the contents of WP-FCMI-R2010-4R-2.xls.

III. Outbound Single-Piece First-Class Mail International

Below are detailed descriptions of the revenue calculation for Outbound Single Piece FCMI letters, flats, and cards. The results of these calculations for U.S. origin FCMI and the result of the calculated revenue using R2013-10/NP1 prices for Inbound FCMI are consolidated in the FCMI TOTAL PRICE INCREASE tab of WP-FCMI-R2010-4R.xls. The collective rate increase for both FCMI components is 2.391 percent.

A. FCMI Letters and Flats**1. Starting Point**

The hybrid fiscal year billing determinants for Outbound Single-Piece First-Class Mail International (FCMI) are provided in the Q4 FY 2012 - Q3 FY 2013 FCMI tab of WP-FCMI-R2010-4R.xls. While the billing determinant volumes for FCMI letters are organized in three one-ounce increments plus the 3.5 ounce weight step, the billing determinant volumes for FCMI flats are organized in one-ounce increments up to 8 ounces and then four-ounce increments (12,16,20,24, etc.) up to four pounds (64 ounces), in the same way the price schedule is delineated.

2. Calculating Revenue under the R2013/10 Prices

The hybrid fiscal year billing determinants are the basis of all revenue calculations using the R2013-10/1 prices in the FCMI REVENUE COMPARISON tab of WP-FCMI-R2010-4R.xls. For each rate group, the R2013-10/1 prices at each weight step for FCMI letters and flats (cells F2 – G307) are multiplied by the corresponding volumes (cells A2 – C307) to produce the revenue (cells N2 – O314) for each FCMI shape at each weight step under the current prices. These totals are then summed to determine the total revenue for each weight step (cells R2 – R314).

The total revenue of \$292,976,878 (cell R315) generated from the R2013-10/1 prices for all rate groups is the benchmark for the comparison with the total revenue generated by the adjusted prices.

3. Calculating Revenue under the Adjusted Prices

The hybrid fiscal year billing determinants are the basis of all revenue calculations using the adjusted prices in the FCMI REVENUE COMPARISON tab of WP-FCMI-R2010-4R.xls. For each rate group, the adjusted prices at each weight step for FCMI letters and flats (cells H2 – I308) are multiplied by the corresponding volumes (cells A2 – C308) to produce the revenue (cells K2 – L315) for each FCMI shape at each weight step under the adjusted prices. These totals are then summed to determine the total revenue for each weight step (cells Q2 – Q315).

The total revenue of \$305,738,948 (cell Q315) generated from the R2010-4R/2 prices for all rate groups is 4.356 percent greater than the total revenue derived from the R2013-10/1 prices.

4. Nonmachinable Surcharge

A \$0.20 per-piece surcharge is currently applied to any Outbound FCMI letter weighing three and a half ounces or less with one or more nonmachinable characteristics. For this worksheet, the volume of FCMI pieces that incurred the surcharge was estimated using FY 2012 data, which showed that 0.44 percent of FCMI Letters was nonmachinable. Applying this proportion to the benchmark volume of 164,439,010 for

FCMI Letters yields 723,532 total pieces that incurred the surcharge for the fiscal year. Multiplying the nonmachinable volume by \$0.20 yields \$144,706 in total revenue for the R2013-10/1 price revenue column in the FCMI TOTAL PRICE INCREASE tab. Multiplying the nonmachinable volume by \$0.21 yields \$151,942 in total revenue for the R2010-4R/2 price revenue column in the FCMI TOTAL PRICE INCREASE tab.

B. FCMI Cards

1. Starting Point

The hybrid fiscal year billing determinants for First-Class Mail International (FCMI) Cards are provided in the Q4 FY 2012 -Q3 FY 2013 CARDS tab of WP-FCMI-R2010-4R.xls.

2. Calculating Revenue under the R2013/10 Prices

The first step presents the volumes for FCMI rate groups 1 – 2 and combines rate groups 3 – 9 into a “rest-of-the-world” rate group to produce two rate groups (Canada and Mexico and Rest of World) for FCMI Cards. The volumes for the rate groups appear in cells C21 – F21 of the *Q4 FY 2012 -Q3 FY 2013 CARDS* tab and are referenced in cells D11 – D18 of the *CARDS TOTAL PRICE INCREASE* tab.

On the *CARDS TOTAL PRICE INCREASE* tab, the next step involves multiplying the R2013-10/1 price for each rate group (cells F11 – F15) by the respective volume (cells D11 – D15) to obtain the total revenue for each group (cells H11 – H15). Summing the revenue for each rate group yields \$18,275,683 (cell H18) in total revenue, which is the benchmark for the comparison with the total revenue generated by the R2013-10/1 prices.

3. Calculating Revenue under the Adjusted Prices

The adjusted prices for FCMI Cards in 2014 (cells J11 – J15) are multiplied by the same rate-group volumes (cells D11 – D15) to produce the total revenue for each group under the adjusted prices (cells L11 – L15). The resulting total revenue of \$19,106,396 (cell L18) is a 4.545 percent increase over the revenue generated from the R2013-10/1 prices.

IV. Inbound Single-Piece First-Class Mail International

There is no price change for Inbound Single-Piece FCMI because the R2013-10 calculated revenue of \$257,364,394 from Inbound CAPCALC-FCMI-R2013-10/NP1.xls is used in both summary columns of the *FCMI TOTAL PRICE INCREASE* tab. Since the calculated revenue for the Inbound Single-Piece First-Class Mail International component comprises 44.2 percent of the after rates total revenue and offsets the outbound increase of 4.367 percent, the First-Class Mail International overall increase is 2.391 percent.

Revisions of 10/18/13

The revisions of 10/18/13 show the effects of the substitution in the workpapers of the actual CY14 Internal Air Conveyance charges recently announced by the UPU for the placeholder IAC charges used in the workpapers submitted with the filing on Sept. 26, 2013. In this Preface, they require the following changes:

In the first sentence of the Preface on page 1, the number shaded above (4.281) should be changed to 4.280, so that the sentence reads as follows:

The overall percentage increase for First-Class Mail is 4.280 percent (including FCM International).

In the first sentence of the Preface for Part 2 on page 3, and in the last sentence on page 3, the number shaded in gray above in both of those places on that page (2.391) should be changed to 2.353 . As corrected, the first sentence of the Preface to Part 2 should read as follows:

The overall percentage increase for First-Class Mail International (FCMI) is 2.353 percent.

Similarly, as corrected, the last sentence on page 3 should read as follows:

The collective rate increase for both FCMI components is 2.353 percent.

In the last paragraph on page 5 above, the numbers shaded in gray change. As corrected, the revised paragraph should read as follows:

There is no price change for Inbound Single-Piece FCMI because the R2013-10 calculated revenue of \$266,708,701 from Inbound CAPCALC-FCMI-R2013-10/NP1.xls is used in both summary columns of the *FCMI TOTAL PRICE INCREASE* tab. Since the calculated revenue for the Inbound Single-Piece First-Class Mail International component comprises 45.1 percent of the after rates total revenue and offsets the outbound increase of 4.367 percent, the First-Class Mail International overall increase is 2.353 percent.